

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Almena
Van Buren County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Almena, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Almena, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Almena, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Almena, Michigan, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Almena, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Board of Trustees
Township of Alpena, Michigan
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Alpena, Michigan, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

June 26, 2006

BASIC FINANCIAL STATEMENTS

Township of Almena
STATEMENT OF NET ASSETS
 March 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 908,629	\$ 46,731	\$ 955,360
Receivables, net	<u>87,073</u>	<u>-</u>	<u>87,073</u>
Total current assets	<u>995,702</u>	<u>46,731</u>	<u>1,042,433</u>
Noncurrent assets:			
Receivables, net	7,936	-	7,936
Capital assets, net of accumulated depreciation	<u>1,143,856</u>	<u>-</u>	<u>1,143,856</u>
Total noncurrent assets	<u>1,151,792</u>	<u>-</u>	<u>1,151,792</u>
Total assets	<u>2,147,494</u>	<u>46,731</u>	<u>2,194,225</u>
LIABILITIES			
Current liabilities:			
Payables	30,775	1,388	32,163
Current portion of long-term debt	<u>23,027</u>	<u>-</u>	<u>23,027</u>
Total current liabilities	53,802	1,388	55,190
Noncurrent liabilities:			
Long-term debt	<u>320,769</u>	<u>-</u>	<u>320,769</u>
Total liabilities	<u>374,571</u>	<u>1,388</u>	<u>375,959</u>
NET ASSETS			
Invested in capital assets, net of related debt	800,060	-	800,060
Restricted:			
Public safety	181,746	-	181,746
Public works	128,354	-	128,354
Culture and recreation	916	-	916
Unrestricted	<u>661,847</u>	<u>45,343</u>	<u>707,190</u>
Total net assets	<u>\$ 1,772,923</u>	<u>\$ 45,343</u>	<u>\$ 1,818,266</u>

See notes to financial statements

Township of Almena
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 10,744	\$ -	\$ -	\$ -
General government	252,697	9,262	-	-
Public safety	107,100	-	2,503	-
Public works	47,831	13,043	-	26,040
Community and economic development	25,753	-	-	-
Culture and recreation	6,156	5,498	140	-
Interest expense	11,105	-	-	-
Total governmental activities	461,386	27,803	2,643	26,040
Business- type activities:				
Public safety	29,476	33,378	-	-
Totals	\$ 490,862	\$ 61,181	\$ 2,643	\$ 26,040

General revenues:
Taxes
State grants
Investment income

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses)
revenues and change in net assets**

<u>Governmental activities</u>	<u>Business -type activity</u>	<u>Totals</u>
\$ (10,744)		\$ (10,744)
(243,435)		(243,435)
(104,597)		(104,597)
(8,748)		(8,748)
(25,753)		(25,753)
(518)		(518)
<u>(11,105)</u>		<u>(11,105)</u>
 (404,900)		 (404,900)
 -	\$ 3,902	 3,902
 411,343	-	 411,343
295,376	-	295,376
<u>23,194</u>	-	<u>23,194</u>
 729,913	-	 729,913
325,013	3,902	328,915
<u>1,447,910</u>	<u>41,441</u>	<u>1,489,351</u>
<u>\$ 1,772,923</u>	<u>\$ 45,343</u>	<u>\$ 1,818,266</u>

See notes to financial statements

Township of Almena
BALANCE SHEET - governmental funds
 March 31, 2006

	<u>General</u>	<u>Road</u>	<u>Fire</u>
ASSETS			
Cash	\$ 591,931	\$ 85,531	\$ 177,858
Receivables	<u>59,061</u>	<u>9,471</u>	<u>9,471</u>
Total assets	<u>\$ 650,992</u>	<u>\$ 95,002</u>	<u>\$ 187,329</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 25,192	\$ -	\$ 5,583
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>25,192</u>	<u>-</u>	<u>5,583</u>
Fund balances:			
Unreserved	625,800	95,002	181,746
Unreserved, reported in nonmajor:			
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>625,800</u>	<u>95,002</u>	<u>181,746</u>
Total liabilities and fund balances	<u>\$ 650,992</u>	<u>\$ 95,002</u>	<u>\$ 187,329</u>

Total fund balances

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term debt used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 53,309	\$ 908,629
<u>17,006</u>	<u>95,009</u>
<u>\$ 70,315</u>	<u>\$ 1,003,638</u>

\$ -	\$ 30,775
<u>15,872</u>	<u>15,872</u>
<u>15,872</u>	<u>46,647</u>

-	902,548
<u>54,443</u>	<u>54,443</u>
<u>54,443</u>	<u>956,991</u>

<u>\$ 70,315</u>	<u>\$ 949,195</u>
	\$ 956,991

1,143,856

15,872

(343,796)

\$ 1,772,923

See notes to financial statements

Township of Alma

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended March 31, 2006

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 156,185	\$ 127,579	\$ 127,579	\$ -	\$ 411,343
State grants	291,689	3,687	-	-	295,376
Charges for services	8,348	1,860	-	-	10,208
Interest	23,676	-	-	18	23,694
Other	5,912	-	2,503	21,491	29,906
Total revenues	<u>485,810</u>	<u>133,126</u>	<u>130,082</u>	<u>21,509</u>	<u>770,527</u>
EXPENDITURES					
Legislative	10,744	-	-	-	10,744
General government	225,087	-	-	-	225,087
Public safety	10,000	-	97,100	-	107,100
Public works	1,038	276,252	-	9,879	287,169
Community and economic development	25,753	-	-	-	25,753
Culture and recreation	2,920	-	-	3,236	6,156
Debt service:					
Principal	22,321	-	-	-	22,321
Interest	11,105	-	-	-	11,105
Capital outlay	17,954	-	-	-	17,954
Total expenditures	<u>326,922</u>	<u>276,252</u>	<u>97,100</u>	<u>13,115</u>	<u>713,389</u>
NET CHANGES IN FUND BALANCES	158,888	(143,126)	32,982	8,394	57,138
FUND BALANCES - BEGINNING	<u>466,912</u>	<u>238,128</u>	<u>148,764</u>	<u>46,049</u>	<u>899,853</u>
FUND BALANCES - ENDING	<u>\$ 625,800</u>	<u>\$ 95,002</u>	<u>\$ 181,746</u>	<u>\$ 54,443</u>	<u>\$ 956,991</u>
Net change in fund balances - total governmental funds					\$ 57,138
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:					
Increased for:					
Capital assets acquired					265,409
Long-term debt principal repayment					22,321
Deferred revenue					15,872
Decreased for:					
Provision for depreciation					(35,727)
Change in net assets of <i>governmental activities</i>					<u>\$ 325,013</u>

See notes to financial statements

Township of Almena
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2006

	<u>Building Inspections</u>
ASSETS	
Cash	<u>\$ 46,731</u>
Total assets	46,731
LIABILITIES	
Payables	<u>1,388</u>
NET ASSETS - unrestricted	<u><u>\$ 45,343</u></u>

See notes to financial statements

Township of Almena

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET

ASSETS - *proprietary fund*

Year ended March 31, 2006

	<i>Building Inspections</i>
	<hr/>
OPERATING REVENUES	
Charges for services - licenses and permits	\$ 33,378
OPERATING EXPENSES	
Contracted services - inspections	<hr/> 29,476
CHANGE IN NET ASSETS	3,902
NET ASSETS - BEGINNING	<hr/> 41,441
NET ASSETS - ENDING	<hr/> \$ 45,343 <hr/>

See notes to financial statements

Township of Almena
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2006

	<u>Building Inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 34,852
Payments for goods and services	<u>(30,181)</u>
Net cash provided by operating activities	4,671
CASH - BEGINNING	<u>42,060</u>
CASH - ENDING	<u><u>\$ 46,731</u></u>

See notes to financial statements

Township of Almena

STATEMENT OF FIDUCIARY NET ASSETS - *agency fund*

March 31, 2006

ASSETS

Cash	\$	<u>4,965</u>
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LIABILITIES

Due to other governmental units	\$	3,565
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Due to others		<u>1,400</u>
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Total liabilities	\$	<u>4,965</u>
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See notes to financial statements

Township of Alpena
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Alpena, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Almena
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the financial resources used for the expansion and maintenance of roads within the Township. Revenues are primarily derived from connection fees and special assessments.

The Fire Fund accounts for the financial resources used for fire protection for the Township. Revenues are primarily derived from special assessments.

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Township of Almena
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 5 years
Infrastructure	15 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Almena
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity (continued):*

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 to be revenue of the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. There were no significant budget violations.

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 908,629	\$ 46,731	\$ 4,965	\$ 960,325

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$857,096 of the Township's bank balances of \$970,238 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Alma
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major, and nonmajor funds in the aggregate, are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
General	\$ 10,997	\$ -	\$ 48,064	\$ 59,061
Road	9,471	-	-	9,471
Fire	9,471	-	-	9,471
Other governmental	-	17,006	-	17,006
Totals	<u>\$ 29,939</u>	<u>\$ 17,006</u>	<u>\$ 48,064</u>	<u>\$ 95,009</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 7,936</u>	<u>\$ -</u>	<u>\$ 7,936</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 64,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,783</u>
Capital assets being depreciated:				
Buildings and improvements	762,981	22,582	-	785,563
Equipment	79,109	4,124	-	83,233
Infrastructure	<u>102,769</u>	<u>238,703</u>	<u>-</u>	<u>341,472</u>
Subtotal	<u>944,859</u>	<u>265,409</u>	<u>-</u>	<u>1,210,268</u>
Less accumulated depreciation for:				
Buildings and improvements	59,715	15,590	-	75,305
Equipment	28,902	7,964	-	36,866
Infrastructure	<u>6,851</u>	<u>12,173</u>	<u>-</u>	<u>19,024</u>
Subtotal	<u>95,468</u>	<u>35,727</u>	<u>-</u>	<u>131,195</u>
Total capital assets being depreciated, net	<u>849,391</u>	<u>229,682</u>	<u>-</u>	<u>1,079,073</u>
Governmental activities capital assets, net	<u>\$ 914,174</u>	<u>\$ 229,682</u>	<u>\$ -</u>	<u>\$ 1,143,856</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 23,554
Public works	<u>12,173</u>
Total	<u>\$ 35,727</u>

Township of Almena
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

Long-term debt at March 31, 2006, is comprised of the following individual issues:

Contract payable:

\$400,000 Installment Purchase Agreement, payable in monthly installments of \$2,785, including interest at 3.12%; final payment due July 2018	<u>\$ 343,796</u>
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Long-term debt activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Contract payable	\$ 366,117	\$ -	\$ (22,321)	\$ 343,796	\$ 23,027

At March 31, 2006, debt service requirements on long-term debt are follows:

<u>Year ended March 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 23,027	\$ 10,399
2008	23,755	9,670
2009	24,507	8,918
2010	25,283	8,143
2011	26,083	7,343
2012 - 2016	143,334	23,794
2017 - 2019	<u>77,807</u>	<u>3,075</u>
Totals	<u>\$ 343,796</u>	<u>\$ 71,342</u>

Township of Almena
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Intergovernmental</u>	<u>Totals</u>
Governmental activities:				
General	\$ 14,369	\$ 10,823	\$ -	\$ 25,192
Fire	<u>-</u>	<u>-</u>	<u>5,583</u>	<u>5,583</u>
Total governmental activities	14,369	10,823	5,583	30,775
Business-type activities:				
Building Inspections	<u>1,388</u>	<u>-</u>	<u>-</u>	<u>1,388</u>
Total	<u>\$ 15,757</u>	<u>\$ 10,823</u>	<u>\$ 5,583</u>	<u>\$ 32,163</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Almena
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 151,185	\$ 153,185	\$ 156,185	\$ 3,000
State grants	294,000	294,000	291,689	(2,311)
Charges for services	7,400	8,400	8,348	(52)
Interest	6,500	7,500	23,676	16,176
Other	3,000	3,000	5,912	2,912
Total revenues	<u>462,085</u>	<u>466,085</u>	<u>485,810</u>	<u>19,725</u>
EXPENDITURES				
Legislative	<u>12,516</u>	<u>12,516</u>	<u>10,744</u>	<u>1,772</u>
General government:				
Supervisor	22,262	24,882	23,791	1,091
Election	12,850	9,850	1,065	8,785
Assessor	24,200	24,200	23,818	382
Clerk	35,880	35,880	31,779	4,101
Board of review	1,777	1,777	973	804
Treasurer	34,968	36,045	35,251	794
Hall and grounds	37,873	37,873	30,736	7,137
Cemetery	12,402	12,402	12,792	(390)
Other	<u>88,219</u>	<u>88,219</u>	<u>64,882</u>	<u>23,337</u>
Total general government	<u>270,431</u>	<u>271,128</u>	<u>225,087</u>	<u>46,041</u>
Public safety - ambulance	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Public works:				
Drains	1,300	400	400	-
Street lights	<u>600</u>	<u>600</u>	<u>638</u>	<u>(38)</u>
	<u>1,900</u>	<u>1,000</u>	<u>1,038</u>	<u>(38)</u>
Community and economic development - planning and zoning	<u>34,602</u>	<u>31,602</u>	<u>25,753</u>	<u>5,849</u>
Culture and recreation - parks and recreation	<u>5,000</u>	<u>5,000</u>	<u>2,920</u>	<u>2,080</u>
Debt service:				
Principal	22,321	22,321	22,321	-
Interest	<u>11,105</u>	<u>11,105</u>	<u>11,105</u>	<u>-</u>
Total debt service	<u>33,426</u>	<u>33,426</u>	<u>33,426</u>	<u>-</u>

Township of Almena
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Capital outlay	\$ 28,000	\$ 28,000	\$ 17,954	\$ 10,046
Total expenditures	<u>395,875</u>	<u>392,672</u>	<u>326,922</u>	<u>65,750</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>66,210</u>	<u>73,413</u>	<u>158,888</u>	<u>85,475</u>
OTHER FINANCING USES				
Operating transfer out - Road Fund	<u>(147,000)</u>	<u>(147,000)</u>	<u>-</u>	<u>147,000</u>
NET CHANGE IN FUND BALANCE	<u>(80,790)</u>	<u>(73,587)</u>	<u>158,888</u>	<u>232,475</u>
FUND BALANCES - BEGINNING	<u>466,912</u>	<u>466,912</u>	<u>466,912</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 386,122</u>	<u>\$ 393,325</u>	<u>\$ 625,800</u>	<u>\$ 232,475</u>

Township of Almena
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 123,600	\$ 123,600	\$ 127,579	\$ 3,979
State grants	3,000	3,000	3,687	687
Charges for services	-	-	1,860	1,860
Interest	<u>300</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
Total revenues	126,900	126,900	133,126	6,226
EXPENDITURES				
Public works	<u>350,000</u>	<u>350,000</u>	<u>276,252</u>	<u>73,748</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(223,100)	(223,100)	(143,126)	79,974
OTHER FINANCING SOURCES				
Operating transfer in - General	<u>147,000</u>	<u>147,000</u>	<u>-</u>	<u>(147,000)</u>
NET CHANGE IN FUND BALANCE	(76,100)	(76,100)	(143,126)	(67,026)
FUND BALANCE - BEGINNING	<u>238,128</u>	<u>238,128</u>	<u>238,128</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 162,028</u>	<u>\$ 162,028</u>	<u>\$ 95,002</u>	<u>\$ (67,026)</u>

Township of Almena
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 123,600	\$ 123,600	\$ 127,579	\$ 3,979
Interest	200	200	-	(200)
Other	-	-	2,503	2,503
Total revenues	123,800	123,800	130,082	6,282
EXPENDITURES				
Public safety	106,100	106,100	97,100	9,000
NET CHANGE IN FUND BALANCE	17,700	17,700	32,982	15,282
FUND BALANCE - BEGINNING	148,764	148,764	148,764	-
FUND BALANCE - ENDING	<u>\$ 166,464</u>	<u>\$ 166,464</u>	<u>\$ 181,746</u>	<u>\$ 15,282</u>

SUPPLEMENTARY INFORMATION

Township of Alpena
COMBINING BALANCE SHEET - nonmajor governmental funds

March 31, 2006

	Special revenue funds			
	<u>Special Assessment</u>	<u>Township Hall</u>	<u>Historical</u>	<u>Totals</u>
ASSETS				
Cash	\$ 16,346	\$ 36,047	\$ 916	\$ 53,309
Receivables	<u>17,006</u>	<u>-</u>	<u>-</u>	<u>17,006</u>
Total assets	<u>\$ 33,352</u>	<u>\$ 36,047</u>	<u>\$ 916</u>	<u>\$ 70,315</u>
LIABILITIES:				
Deferred revenue	15,872	-	-	15,872
FUND BALANCE				
Unreserved, undesignated	<u>17,480</u>	<u>36,047</u>	<u>916</u>	<u>54,443</u>
Total liabilities and fund balance	<u>\$ 33,352</u>	<u>\$ 36,047</u>	<u>\$ 916</u>	<u>\$ 70,315</u>

Township of Almena**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2006

	Special revenue funds			Totals
	Special Assessment	Township Hall	Historical	
REVENUES				
Interest	\$ 18	\$ -	\$ -	\$ 18
Special assessments	21,351	-	-	21,351
Donations	-	-	140	140
Total revenues	21,369	-	140	21,509
EXPENDITURES				
Public works	9,879	-	-	9,879
Culture and recreation	-	-	3,236	3,236
Total expenditures	9,879	-	3,236	13,115
NET CHANGES IN FUND BALANCES	11,490	-	(3,096)	8,394
FUND BALANCE - BEGINNING	5,990	36,047	4,012	46,049
FUND BALANCE - ENDING	\$ 17,480	\$ 36,047	\$ 916	\$ 54,443